

Media contact: Vicki Abraham
vabraham@rab.bm | 441-777-7708

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ELECTRICITY RETAIL TARIFF REVIEW

October 30, 2018: Hamilton, Bermuda – Bermuda Electric Light Company (BELCO) has been instructed by the Regulatory Authority (Authority) to initiate a rate review, which will assess all costs associated with producing and distributing electricity. This will result in an updated rate per kilowatt hour (kWh), that is, the rate on a BELCO bill that is shown as ‘usage charges’ and that does not include the cost of fuel. The cost of fuel is identified separately on BELCO billing, as the Fuel Adjustment Rate.

The rate and structure of the ‘facilities charge’ which is shown separately on BELCO’s billing, will also be assessed in the retail tariff review.

This is the first electricity retail tariff review conducted by the Authority and it will use the retail tariff methodology (Methodology) that was set earlier this month after extensive consultation with stakeholders. The review will determine the allowed revenue for the Transmission, Distribution & Retail licensee (BELCO) and will convert the allowed revenue into retail tariffs.

The rate review will analyze information such as BELCO’s cost to generate, transmit and distribute electricity, including operation and maintenance, overhead expenses, administration and other costs.

Under the Methodology, BELCO’s allowed revenue will be capped, which is a change from the current state where BELCO’s allowed maximum return (profit) is capped at 8%. The Authority has introduced cost-efficiency incentives whereby BELCO can improve its profits against a capped allowed revenue, by improving efficiencies in operations, the benefits to be shared between the utility and its customers.

Regulatory Authority Interim CE, Aaron Smith said, “The retail tariff methodology has set the path for a future of certainty and accountability for Bermuda’s electricity rates and the process is now underway to determine what is a reasonable rate.” Mr. Smith added, “Bermuda’s electricity rates are frequently criticized by the public as being too high. While we know that delivery and operating expenses for many services in Bermuda are high, this review will allow the Authority to determine a fair and just rate while maintaining high quality service standards with safe and reliable electricity to all.”

The per kWh rate was last updated two years ago before the Electricity Act 2016 regulated the industry. The updated tariff will be published by mid-2019.

A General Determination setting the Methodology was issued by the Authority on October 19th and is [online](https://rab.bm/electricity-administrative-determinations/) at: <https://rab.bm/electricity-administrative-determinations/>

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